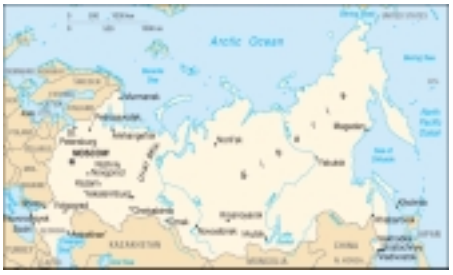
RUSSIAN FEDERATION PROJECTS

Profile No.	PROJECT NAME	LOCATION
RU1	Internet Hosting Center	Moscow
RU2	Moscow – Wireless Telecommunications Network	Moscow
RU3	Nuclear Power Industry E-Commerce Procurement Site	Moscow and 7 Regions
RU4	Regional Technology Representation Offices	Nationwide
RU5	Rural Telecommunications Systems	Nationwide
RU6	Telemedicine Consulting and Diagnostic Network	Moscow, Leningradskaya, Kurskaya, Voronezhskaya
RU7	Workflow Management Software	Moscow
RU8	E-Procurement	Moscow

RUSSIAN FEDERATION

Internet Hosting Center

Project Summary	
Subsector	Information Technology
Location	Moscow, Russia
Project Cost	US$10 Million
Export Potential	US$4 Million
Project Type	Internet Service
Project Executing Agency	Comstar Telecommunications



Project Outline

Comstar is a joint venture company that was created in 1989. In November 2000, Metromedia International Telecommunication Inc. of the U.S acquired 50% of Comstar's shares.

The Comstar network utilizes sophisticated digital and optical equipment with a capacity of 100,000 numbers and provides national and international service. The Comstar network covers almost all of Moscow, provides alternative telecom routes to St. Petersburg, the Primorsky region, the island of Sakhalin, as well as Sochi. Services are based on Comstar's own 2,000 kilometer digital fiber optic network throughout Moscow and the use of up-to-date technologies providing high reliability and fast network operation.

Comstar provides the following services:

- Local, national and international telecommunications services, including the setting up of corporate telephone networks, telecom operator services, card payphone services from payphones installed in Moscow;
- Access to Internet (Comstar is a first level ISP);
- Access to banking, financial and information systems and services;
- ISDN;
- Videoconferencing; and
- Comprehensive telephony and data solutions.

Over 60,000 Comstar lines (more than 7,200 clients) are installed in businesses, hotels, and administrative buildings. Services are used by governmental and administrative agencies, major industrial enterprises, Russian and foreign financial corporations, banks, trading companies and service providers.

The proposed project relates to the creation of an Internet hosting center in Moscow. Comstar plans to provide three types of service through the hosting center:

- Co-location and rental of dedicated servers;

- shared hosting; and
- Application Service Provider (ASP).

Revenues associated with the provision of Value Added Services will be derived from the following sources:

- Web-design;
- Consulting; and
- Marketing and advertising.

With respect to the provision of services associated with the development of the ASP, Comstar proposes to enter into contracts with developers of business applications in order to earn commissions or a portion of the corresponding development profit.

Comstar believes that the development of the Internet in Russia will guarantee a stable growing demand for services offered through the hosting center service.

Technical Description

Early in 2001 in conjunction with TeleGlobe, the Comstar network installed a router in Toronto, Canada to manage Internet traffic in the international IP-network, making it possible to support high-speed data transmission over long distances. The router installation optimizes the usage of existing circuit capacity and significantly improves the quality of Comstar services. Besides ensuring quality and high speed of access to the Internet, the remotely managed router will make it possible to set up and effectively use virtual private networks (VPNs) with a fixed bandwidth. This is especially important for Comstar's corporate clients that have remote affiliates, since the protection from unauthorized access to a corporate network will be resolved simultaneously.

In order to improve the quality of its dial-up access to the Internet over telephone lines, Comstar in late February 2001 began transferring its modem pools from the Russian analogue of SS7 (OKC-7) signaling, the standard used in the European Community, USA and Canada. For these purposes CISCO equipment was used to spread the load on the access servers in a more dynamic way thus facilitating the establishment of Internet connections. The Comstar installation represented only the third industrial installation of such equipment in Russia.

Comstar's plans for the near future include the development of the network abroad through the installation of several controllable routers in Europe and USA.

The proposed project relates to the development of an Internet hosting center based in Moscow. In order to realize this project, Comstar envisages renting suitable premises or constructing custom premises to house the project, connecting the complex to the Comstar network, and equipping the premises with climate control and an uninterruptible power supply (such as a diesel generator). In addition, the project would involve the provision of firewall equipment, and the establishment of a back up system and monitoring equipment.

Project Site

The proposed project is envisaged for the Moscow area. At the moment Internet hosting centers do not exist in Moscow, although Comstar is aware of plans being prepared by competitors to develop similar services.

Project Status/Timeline

Comstar is about to commence providing a restricted service to its own clients. This initial activity by Comstar is considered to be a pilot phase to obtain needed experience prior to offering the service to the public.

Equipment and Services

The proposed project will require the acquisition of the following equipment: routers, back-up servers, shelters, consoles, HUB, work stations and office space.

Project Financing

The project requires about $10 million during the first five years. Comstar is planing to implement this project step by step to avoid non cost-effective investment. Comstar is prepared to make a financial contribution to this project.

Conclusion

Comstar is seeking a U.S. investor and technical partner to develop the proposed web-hosting center.

Key Decision Makers

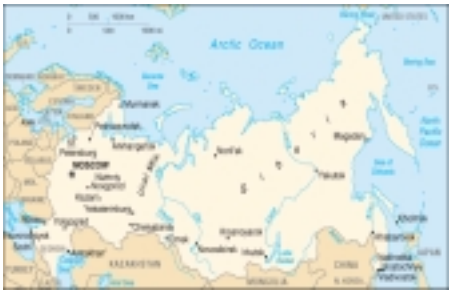
Organization or Company Name	Comstar Telecommunications
Contact Person	Vladimir Umanskiy
Title	Chief of Analytical Department
Address	3 Dmitrovsky per. Bldg1 Moscow Russia 103031
Telephone	(7 095) 956 02 10
Fax	(7 095) 956 02 76
E-mail	umanskiy@post.comstar.ru

Organization or Company Name	Comstar Telecommunications
Contact Person	Pavel Bogulev
Title	Finance Director
Address	3 Dmitrovsky per. Bldg1 Moscow Russia 103031
Telephone	(7 095) 956 00 00
Fax	(7 095) 956 02 76
E-mail	bogulev@post.comstar.ru

RUSSIAN FEDERATION

Moscow – Wireless Telecommunications Network

Project Summary	
Subsector	Telecommunications
Location	Moscow, Russia
Project Cost	US$5 Million
Export Potential	US$5 Million
Project Type	Wireless Telecom Equipment
Project Executing Agency	Comstar Telecommunications



Project Outline

Comstar is a joint venture company that was created in 1989 by GPT of the U.K. (later Marconi Telecommunications) and AO The Moscow City Telephone Network (MGTS). In November 2000 the Marconi shareholding was sold to Metromedia International Telecommunication Inc. of the U.S.

When it commenced operations in 1989, Comstar only provided card payphone services. Later, Comstar became the first alternative operator in Moscow. Today, the Comstar network utilizes sophisticated digital and optical equipment and provides national and international service. The Comstar network covers almost all of Moscow, provides alternative telecom routes to St. Petersburg, the Primorsky region, the island of Sakhalin, as well as Sochi. Services are based on Comstar's own 2,000 km digital fiber optic network throughout Moscow and the use of up-to-date technologies providing high reliability and fast network operation.

Comstar provides the following services:

- Local, national and international telecommunications services, including the setting up of corporate telephone networks, telecom operator services, card payphone services from payphones installed in Moscow;
- Access to Internet (Comstar is a first level ISP);
- Access to banking, financial and information systems and services;
- ISDN;
- Videoconferencing; and
- Comprehensive telephony and data solutions.

Over 60,000 Comstar lines (more than 7,200 clients) are installed in businesses, hotels, and administrative buildings. Services are used by governmental and administrative agencies, major industrial enterprises, Russian and foreign financial corporations, banks, trading companies and service providers.

Despite this progress, there are over 600,000 people in Moscow on waiting lists for new

telephone service. While costs are kept in line by sharing towers around Moscow with mobile providers, the existing cost of providing residential service is about $1,000 per installation. Despite this economic consideration, governmental telecommunications tariffs limit the service charge to individual subscribers to $2 per month. As commercial operators are not permitted to manage their own tariff policy, in order to be competitive and effective, Comstar has tended to focus on the provision of high margin services to customers with high traffic volume needs.

The proposed project is a part of regional strategy for Comstar to satisfy the backlog demand that exists within Moscow on the part of small companies and individual subscribers. The project aims to provide a range of telecommunication services including access to the public network and data transmission through wireless local loop technology. Primarily for geographic reasons, the proposed project will be designed to stand alone from Comstar's general businesses.

Technical Description

Comstar's "TONE" network is a continuously developing digital network with integrated services that provides telephony services and a full range of high technology telecommunications services. Such capabilities are supported by the network architecture, digital switching equipment, and fiber optic cables.

In order to provide telecommunications services in the regions, dedicated national satellite, fiber optic and microwave circuits are set up between customers and the Comstar digital fiber optic "TONE" network. Such circuits are provided on lease to each specific customer by Comstar partners, e.g. AO "Rostelecom", state owned enterprise "Transtelecom", "Satellite Communication","SatcomTel", "Satis", "Moscow Teleport", "Insat Holding", "Teleport-TP", etc.

As is often the case in other large cities around the globe, Comstar is faced with the problem of providing the "last mile" connection to the subscriber. In the Moscow region context, Comstar has examined two primary options for building out its network in that area. While Comstar has rolled out an impressive set of fiber optic rings in Moscow, the company has determined that the provision of a fiber optic link directly to the subscriber is an unacceptably large investment with a low potential return on investment. Comstar has performed market research that indicates that a wireless solution utilizing the European DECT technology could solve the last mile problem, but at a cost of about $1000 per subscriber. According to this proposed solution, 10 wireless base stations would be linked via fiber optic cable to connect 6,000 new subscribers. The equipment would be capable of connecting various types of end user terminals from telephone to PABX.

Comstar is interested in determining if alternate U.S. fixed wireless equipment and solutions could be considered that would lower the entry fee and make local telecommunications services more affordable for new subscribers in the Moscow region.

Project Site

The proposed project is based in the Moscow region. There has been rapid development in the Moscow region during the past four to five years and thousands of residences have been constructed without associated telecommunications services.

Project Status/Timeline

Comstar has obtained the requisite licenses for the proposed fixed wireless telecommunications network. At the moment, Comstar is awaiting permissions relating to the usage of radio frequencies. Comstar would like to implement the project during the coming year.

Equipment and Services

Although Metromedia International Telecommunication Inc. of the U.S acquired half of the equity shares in the company during the last year, Comstar's senior management team had been previously exposed primarily to European technologies (such as DECT) and, as a result, is largely unfamiliar with American equipment capabilities. For the proposed project, Comstar will acquire a digital switch, a router, a billing system, optical cable, base stations, and transit stations.

In the future, Comstar's management team would also be interested learning about new U.S. technologies such as voice mail systems and other software applications relevant to telecommunications networks.

Project Financing

Comstar is not seeking funding for the proposed project; the company has sufficient financial resources to develop this project using its own funds.

Conclusion

Comstar's senior management team needs a specific wireless solution for its "last mile" problem in Moscow and is seeking to learn about the capabilities of U.S. equipment and solution providers in that area. In anticipation of future needs, company executives also are interested in learning about U.S. equipment and software products related to the provision of voice mail and customer relationship management. In the past, Comstar has had a negative experience with one U.S. software company that failed to provide adequate technical support for its financial software product in Russia. Comstar,

however, has stated that it would like to build positive relationships with U.S. technology providers.

Key Decision Makers

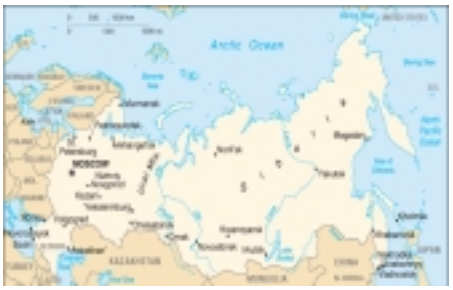
Organization or Company Name	Comstar Telecommunications
Contact Person	Vladimir Umanskiy
Title	Chief of Analytical Department
Address	3 Dmitrovsky per. Bldg1 Moscow Russia 103031
Telephone	(7 095) 956 02 10
Fax	(7 095) 956 02 76
E-mail	Umanskiy@post.comstar.ru

Organization or Company Name	Comstar Telecommunications
Contact Person	Pavel Bogulev
Title	Finance Director
Address	3 Dmitrovsky per. Bldg1 Moscow Russia 103031
Telephone	(7 095) 956 00 00
Fax	(7 095) 956 02 76
E-mail	bogulev@post.comstar.ru

RUSSIAN FEDERATION

Nuclear Power Industry E-Commerce Procurement Site

Project Summary	
Subsector	Information Technology
Location	Moscow and 7 Regions, Russia
Project Cost	US$8 Million
Export Potential	US$6 Million
Project Type	E-Commerce Portal
Project Executing Agency	The Foundation for the Globalization and Development of the Internet; Central R&D Institute for Management, Economics and Information of the RF Ministry of Nuclear Power; JSC Techinform Consulting, Ltd.



Project Outline

The project sponsors are proposing to develop an Internet portal and a related telecommunications network for the Russian Ministry of Nuclear Power (Minatom) that will facilitate the procurement of nuclear equipment and spare parts for existing nuclear power stations in 10 regions of the country. The project envisages the establishment of a central electronic commerce site (ECS) in Moscow and specialized subscriber units located in every Russian nuclear power station.

The ECS will function on a commercial basis and involve all participants in the Russian nuclear power industry procurement and sales process. ECS clients will include nuclear power stations proper, state enterprises that provide services to those power stations, private equipment and service suppliers, as well as consumers of the output of the nuclear power stations. These clients are located throughout Russia, the CIS and other foreign countries.

According to the coordinating sponsor organization, the Foundation for the Globalization and Development of the Internet (FGDI), Minatom will contribute towards project costs from the Ministry budget (an agreement between Minatom and FGDI has already been reached in this regard).

Technical Description

The following summarizes the technical sequence of the project:

- Studying the existing procurement electronic support systems;
- Development of the feasibility study for the ECS which includes:
  - Development of the feasibility study for the corporate network element (central computer, subscriber units, communication channels); and
  - Development of the feasibility study for the ECS software/hardware system;
- Development of the ECS technical project which includes:
  - Development of the technical project of the corporate network element (central computer, subscriber units, communication channels); and
  - Development of the technical project of the ECS software/hardware system;
- Development of the regulatory and methodological documents regulating the ECS operation and the work of subsector enterprises on it;
- Development of the ECS production classification and coding system which includes:
  - Development of the classifier design;
  - Development of the regulatory and methodological documents regulating the classifier use in the subsector;
  - Development of the software regulating the work of the classifier; and
  - Classifier data filling;
- Development of ECS software;
- Design of the technical complex of the ECS central system;
- Creation of 20-25 subscriber units at enterprises;
- Installation of communication channels with subscriber units and up-grading weak units;
- Launching the corporate network element (central computer, subscriber units, communication channels);
- Launching the central ECS software /hardware system;
- Connecting of subscriber units of subsector enterprises to the ECS; and
- ECS pilot maintenance.

Project Site

The ECS central computer (ECS Web-portal of the Minatom) will be located in the premises of the Central R&D Institute for Management, Economics and Information under the Minatom (2 Dmitrovskoye Shosse, Moscow). Specialized subscriber access units will be established directly at nuclear power stations in the following regions of Russia: Moscow, Leningradskaya oblast, Tverskaya oblast, Smolenskaya oblast, Voronezhskaya oblast, Saratovskaya oblast, Kurskaya oblast, Rostovskaya oblast, Orenburgskaya oblast, and Chukotsky Autonomic Okrug.

Project Status/Timeline

The following project effort has been undertaken:

- Negotiations were held and primary agreement was received from the Minatom for the project implementation;
- The primary list of the project developers was prepared; distribution of responsibilities during each project stage implementation was made; and
- The project implementation concept was drafted and submitted to Minatom for authorization.

The project is expected to take up to two years to implement.

Equipment and Services

The following equipment and services are required for project implementation:

- Network equipment and computers, communication facilities, telecommunications equipment, special equipment for the ECS central and peripheral units and up-grading of telecom networks (30% of the project cost);
- Special licenses for the basic software for creation of the software hardware system (10% of the project cost);
- Funds to cover the up-grading of telecommunications networks and development and implementation of the special software, data bases, facilities for information protection, etc. (30% of the project cost);
- Funds to cover site visits and other miscellaneous expenses (20% of the project cost); and
- Funds to cover staff training expenses, pilot project works (10% of the project cost).

U.S. Competitiveness

The work on the ECS creation aimed at improvement of the procurement system of enterprises under the Minatom due to the specifics of the subsector activities can be authorized only to the Russian organization. In this respect American companies cannot be treated as competitors, however they can participate as partners and/or investors for the project implementation.

Project Financing

The total project cost is US$8 million of which Minatom will contribute US$5 million. A U.S. technical partner is required to contribute US$3 million. The structure of project ownership is open to discussion between the project sponsor and the U.S. technical partner.

Conclusion

The project implementation will contribute to the upgrading of the procurement system of nuclear power enterprises under Minatom. It will also establish a precedent for the wider implementation of e-commerce technologies in larger industrial enterprises and subsectors of the public economy in Russia.

Once implemented, the project will derive a revenue stream from large profitable companies utilizing a permanently operating software/hardware system. According to FGDI, numerous spin-off activities exist to implement similar e-commerce portals for large private Russian industrial concerns. Leadership in this market segment should provide wider commercial opportunities for the project partners.

Key Decision Makers

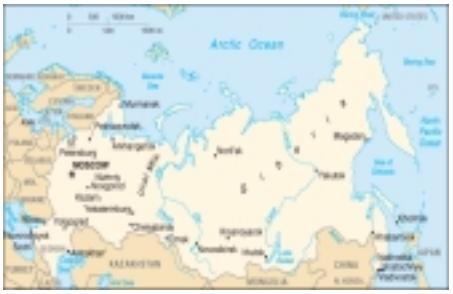
Organization or Company Name	The Foundation for the Globalization and Development of the Internet
Contact Person	B.N.Terebilenko
Title	Director
Address	Entrance 6, 5 Red Square, Moscow
Telephone	7-095-293-54-89; 728-77-72; mobile: 8-903-614-79-21
Fax	7-095-728-77-72
E-mail	terebilenko@rosinternet.ru terebilenko@rambler.ru

Organization or Company Name	Techinform-Consulting Company
Contact Person	V.V.Volkodav
Title	Director General
Address	Block 3, 6A 2nd Troitsky Pereulok, Moscow, 121090
Telephone	7-095-281 9801
Fax	7-095-284 5104
E-mail	

RUSSIAN FEDERATION

Regional Technology Representation Offices

Project Summary	
Subsector	Information Technology
Location	Moscow, 20 regions of Russia
Project Cost	US$4.8 Million
Export Potential	US$2.0 Million
Project Type	Promotion of Internet Infrastructure Development
Project Executing Agency	Foundation for the Globalization and Development of the Internet



Project Outline

The project involves the establishment by the Foundation for Globalization and Development of the Internet (FGDI) of a network of 20 regional offices, including Moscow and St. Petersburg. The main goals of the project are the:

1) Improvement of efficiency and cost reduction associated with telecom and Internet development projects through the use of advanced American telecommunication and Internet technologies, equipment and investment;
2) Creation of a link between Russian regional telecom and Internet companies and American companies and investors with FGDI serving as the conduit between the Russian and American parties;
3) Establishment of a regional infrastructure for collection, analysis and submission of information on the most important Russian telecommunications and Internet regional development projects.

The organization will carry out market surveys and assist in bringing that information to the attention of companies interested in investment and trade development in this area. This process will provide more openness and transparency within the Russian telecommunications and Internet markets for foreign investors and partners.

During the later phases of the project, the FGDI proposes to create divisions in each of the 20 offices to provide consulting services. These divisions will serve as regional coordination units to assist local telecom and Internet companies by identifying foreign investors and technical partners for new projects, promoting inter-regional links among organizations and companies and implementing policies relating to information safety and protection of the Internet.

The project implementation will be divided into three phases:

1. Creation of the basic network (five regions) and the central management structure on the basis of the Foundation. The cost of phase one will be $1.5 million, including a contribution of $800,000 on the part of the Russian party and $700,000 from American participants. This investment will cover the network concept development, the establishment and launch of the network management structure, including purchase of equipment for the central office with necessary hardware, software, communication systems and staff, allocation of premises, staff selection, etc. The first phase will be completed in year one.
2. Phase two involves the expansion of the network to 15 regional units, the creation of commercial databases, the launching of the central portal (www.rosinternet.ru), and the development of the information/consulting services system and other tools related to network self-efficiency. The cost of phase two implementation will be $2 million, including $1 million provided by the project sponsor. Phase two will be completed in one year to 18 months.
3. Phase three will add five more regions to the regional network. By the end of this phase all newly developed services will become financially sustainable. This will include implementing the central portal, the system of creation, collecting, circulating and updating of the database, information/consulting services of the regional units and the network in general. The cost of the third phase will be $1.3 million, including $0.5 million covered by the project sponsor.

It is envisaged that in three years the regional representation offices will become financially sustainable. FGDI anticipates that the provision of consulting and information services and assistance in carrying out transactions between companies will generate profit. They will also be paid some interest by the firms participating in Internet projects. FGDI plans to post information on Internet development in all regions of Russia on the central portal. This information will cover addresses, investment and technical databases of relevance to investors and potential technical partners.

In general, the project is intended to promote the rapid growth of the Internet in Russian regions by attracting foreign investments and advanced technologies. It will also provide better opportunities for foreign investors and technical companies to enter the Russian telecommunications and Internet markets.

Technical Description

Primary project elements include:

1) Carrying out negotiations with regional and federal authorities to obtain organizational, material and technical support for the creation of the regional network with its central and local coordination units and the preparation of necessary documents and decisions, both at federal and regional levels;
2) Establishing relations with USTDA and interested American companies for the identification of priorities related to the regional network development, and ways and means of organizational forms of cooperation;

3) Hiring staff and premises and selecting technical facilities for five regional coordination units and the central project management office in phase one;
4) Establishing the central and five representation offices and staff training in phase one;
5) Attracting foreign experts to share their experience in the area of Internet development as well to providing support in information and consulting business development in the central office and five regional representation offices in phase one;
6) Collecting information, coordinating activities relating to telecom and Internet companies and searching for investors and partners to implement Internet projects in the regions where the initial network of first five regional units will be created. Completion of the pilot project and the creation of the first series of regional networks in five regions;
7) The creation of a second series of 10 regional networks and the procurement of equipment, staff selection and training;
8) The supply of information to the Internet through the creation of the central portal (www.rosinternet.ru), and the design and development of databases, etc.;
9) The establishment of relations among network members, as well as between the network and foreign and Russian investors. Also, the development of the commercial background for the network activities; and
10) The finalization of network development (the third series of networks in five regions). The promotion of regional representation offices and the network in general to become self-sustainable.

Project Site

The project will be carried out in 20 regions of Russia: Moscow and Moscow oblast, St.Petersburg and Leningradskaya oblast, Vladimirskaya oblast, Voronezhskaya oblast, Kaluzhsskaya oblast, Tverskaya oblast, Yaroslavskaya oblast, Novgorodskaya oblast, Rostovskaya oblast, Stavropolsky Krai, Republic of Karelia, Cheliabinskaya oblast, Altaisky Krai, Kemerovskaya oblast, Novosibirskaya oblast, Tomskaya oblast, Sakha Republic (Yakutia), and Khabarovsky Krai.

The central project office will be located in the premises of FGDI in Moscow. Regional representation offices will be established in the main cities of the regions: St.Petersburg, Vladimir, Voronezh, Kaluga, Tver, Yaroslavl, Novgorod, Rostov-on-Don, Stavropol, Petrozavodsk (Republic of Karelia), Cheliabinsk, Barnaul (Altaaisky Krai), Kemerovo, Novosibirsk, Tomsk, Yakutsk, Khabarovsk. Regional representation offices will be located in the premises allocated for this purpose by regional authorities.

Project Status/Timeline

Preliminary work on this project has already been undertaken. Initial negotiations were held with federal and regional government representatives. These discussions yielded positive reaction relating to creation of the Internet regional network. FGDI has suitable premises for the central project office, which has good communication facilities,

including telephones, faxes, Internet access, and a local network. FGDI also has equipment necessary to start up the project (computers, printers, network equipment, copying machines). The rights were obtained to use the domain name www.rosinternet.ru and the concept for the portal design has been developed. The Foundation has highly qualified staff for the project implementation, including three managers and 20 specialists.

FGDI partners have agreed to provide partial project financing (up to 25% of the project cost). Among these partners are a commercial bank, Bank of Moscow, Lucoil, and several large Russian IT companies. The Foundation will also contribute its own assets (up to 23% of the project cost). If one or more foreign investors agree to cover the remaining 52% of the estimated project cost, the project will be completed during three years.

Equipment and Services

In order to achieve the project goals the following facilities will be needed:

1) Equipment for regional representation offices, including communication equipment, furniture, computers and other technical facilities (20% of the project cost);
2) Initial funds to cover the rental of premises and staff salaries of the regional offices (20% of the project cost);
3) Staff training (10% of the project cost);
4) Obtaining licenses for the basic software, which will be used for designing the web site, databases and for installation in computers (10% of the project cost);
5) Development of special software for project implementation, including the development and design of the web site, databases, information protection systems, etc. (20% of the project cost);
6) Initial assets to cover PR activities, site visits, etc. (10% of the project cost); and
7) Payments to foreign experts (10% of the project cost).

U.S. Competitiveness

The FGDI states that a well-established Russian organization will be needed to create an all-Russia Internet network. In order for the organization to be successful, it will need to have a good image with federal and regional authorities in Russia, as one of its tasks will be to lobby the interests of the regional network at all levels. With the exception of FGDI, no single Russian organization or company has the necessary influence at federal and regional governmental levels.

According to FGDI, U.S. companies cannot compete with that organization to create the all-Russia regional Internet network, but they can be partners and/or investors in this project initiative.

Project Financing

The estimated total project cost for creation of the regional network for Internet development in Russia is US$4.8 million. The input of the Russian investors will be US$2.3 million. The FGDI requests an additional US$2.5 million from foreign investors.

Conclusion

The proposed project will accelerate the Internet development throughout Russia by attracting foreign investment and advanced technologies in telecommunications and the Internet. It will also provide new commercial opportunities to foreign investors and technical companies to enter the Russian market of Internet projects.

According to the FGDI, U.S. investors and developers involved in the proposed project will benefit from their participation by attaining permanent access to a network of regional markets comprising Internet and telecommunications projects. Project participation will allow effective monitoring of these markets and the receipt of full and timely information on their internal processes. The FGDI anticipates profit to be generated from the ongoing activities of the newly created regional consulting infrastructure in the rapidly developing and highly profitable area of Internet and telecommunications projects in Russia.

The FGDI is especially interested in identifying a long-term strategic partner with which to work in establishing a link between American (or foreign, in general) firms and Russian IT and telecommunications businesses. The FGDI anticipates that this cooperation will attract foreign investment capital, equipment and specialists to develop high-tech projects, and particularly those related to federal and regional authorities in Russia. The Foundation estimates the value of U.S. equipment procured for each sponsored project to be not less than 30% to 40% of individual project costs, while services obtained from foreign companies represent an additional 20% to 30% of total costs.

Key Decision Makers

Organization or Company Name	Non-for-Profit Organization "The Foundation for the Globalization and Development of the Internet"
Contact Person	Anatoly A. Kharlamov
Title	Internet Projects Director
Address	Entrance 6, 5 Red Square, Moscow
Telephone	7 (095)784 7454; 728 7772; mob. 8-901-723 8078
Fax	7 (095)784 7455; 728 7772
E-mail	harlamov@rambler.ru ;

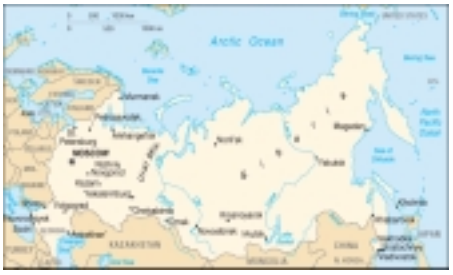
	harlamov@rosinternet.ru

Organization or Company Name	Non-for-Profit Organization "The Foundation for the Globalization and Development of the Internet"
Contact Person	B.N.Terebilenko
Title	Director of the Development Program of the Internet Global Computer Network
Address	Entrance 6, 5 Red Square, Moscow
Telephone	7 (095)293 5489; 728 7772; mob. 8-903-614 7921
Fax	7 (095)728 7772
E-mail	terebilenko@rosinternet.ru terebilenko@rambler.ru

RUSSIAN FEDERATION

Rural Telecommunications Systems

Project Summary	
Subsector	Telecommunications
Location	Russia
Project Cost	US$200 Million
Export Potential	US$200 Million
Project Type	Rural Digital Switchgear
Project Executing Agency	Ministry of Communications and Information Technology



Project Outline

In Russia there has been little government funding committed to the development of rural telecom networks since 1996. As a result of the lack of state funding and the unattractive investment profile of rural telecommunications projects (depressed and stagnant economic conditions in rural Russia, low consumer purchasing power, and low regulated tariffs), the number of local switches has been virtually unchanged over the last 10 years. Overall teledensity averages 10 lines per 100 people. Also, about 40,000 of Russia's 150,000 villages and settlements have no telephone access at all.

The Russian Ministry of Communications and IT (MinCom) and the Ministry of Agriculture are cooperating to improve the country's rural telecommunications infrastructure by drafting a 10-year plan aimed at doubling phone penetration and introducing new services in rural areas. The plan's key concept centers on the introduction of universal service, a bundle of basic telecom services that an operator agrees to provide at reasonable prices, most likely as a license obligation.

Subject to cabinet approval, these policy reforms could lead to a period of rapid expansion of the Russian rural telecommunications network thereby offering export opportunities for U.S. suppliers of wireless local loop, VSAT and digital switching equipment, as well as those organizations providing technical assistance to local network operating companies.

Technical Description

While significant development took place in urban telecommunications networks in Russia in the 1990s, the rural telecom infrastructure has remained virtually unchanged. About 40,000 (26%) of Russian settlements and villages have no telephones, while a further 50,000 villages have up to three phone lines per settlement. Although rural installed capacity was increased by 10% in 2000 (over 130,000 new phone lines), over 535,500 people remain on the waiting list for basic telecom services. Most equipment

and cable used in rural areas is obsolete or worn out with the result that 44% of rural telephone users cannot make automatic long-distance calls.

MinCom is working with the Russian Ministry for Anti-trust Policy (MAP) to improve telecommunications tariff policy and charges. MAP is responsible for setting rates for phone line installations and monthly user fees. The current minimal cost to install a phone line in Russia is US$300, an amount that is recouped through the tariff structure MAP allows telecom operators to charge their customers. The government's current pricing model implies that the rate for telecom services in rural areas should not exceed 50% of the rate established for the urban population, which in turn contributes 77% of the installation cost. Under the circumstances, regional governmental budgets should subsidize operational expenditures, but they are usually unable to do so.

Recently, MinCom, the Ministry of Agriculture and Svyazinvest conducted rural pilot projects in Mordovia, Mary El, Nizhny Novgorod, Tver, the Leningrad region, Orenburg, and Kaluga. These projects have shown that the local telecom companies need technology, management training, and general guidelines from MinCom. From the results of the pilot projects, it was apparent that suppressed demand in the rural areas increases once the quality of service is improved.

Rural telecommunications networks include 27,000 switches with a combined capacity of 4,1 million phone lines. Kvant-E, SATS-Ts, Elcom (Russia), SI-2000 (Slovenia), ELTA (Bulgaria), and Alcatel 1000 S12 switches have been in the forefront of recent rural installations.

Russian telecommunications companies had to scale back on their installations after the country's 1998 financial crisis, and had to focus instead on cost reductions and network optimization. Those network operators are examining various technologies with smaller initial capital outlays and shorter payback periods, including IP telephony, VSAT, and wireless local loop.

Project Site

The proposed expansion and modernization of the country's telecommunications network will be undertaken throughout rural Russia.

Project Status/Timeline

The timing of the commencement of a wide scale program of procurement of rural telecommunications equipment is closely tied to the drafting of the 10-year development plan by MinCom and the Ministry of Agriculture. Other associated considerations impacting on the timing of a new network build-out include proposed alterations to the existing telecom tariff policy and rate structure, the proposed introduction of a universal service policy, and cabinet approval.

Procurement will probably commence during 2002 at the earliest.

Equipment and Services

Rural telecommunications networks presently include 27,000 switches with a combined capacity of 4.1 million phone lines. In total, about 90,000 Russian settlements and villages have three or fewer telephones. While the waiting list for basic telephony service exceeds half a million prospective customers, experience garnered during the recent pilot projects indicates that the true level of demand has been suppressed for a considerable time and, once service is provided, demand increases dramatically.

Recent switch procurements associated with pilot project in rural communities across Russia have included the following equipment: Kvant-E, SATS-Ts, Elcom (Russia); SI-2000 (Slovenia); ELTA (Bulgaria); and Alcatel 1000 S12 switches.

U.S. Competitiveness

Kvant-E, SATS-Ts, Elcom (Russia), SI-2000 (Slovenia), ELTA (Bulgaria), and Alcatel 1000 S12 switches have been equipment providers selected for the recent rural pilot projects. The heavy involvement of Slovenian, Bulgarian and Russian telecommunications equipment manufacturers indicates a strong element of price sensitivity in the procurement.

Project Financing

Funds to finance this plan will come from the telecom operators, agricultural companies, consumers (in the form of borrowing), and regional budgets. The Russian government will provide limited funding to modernize existing networks and build new ones. In order to compensate for the loss on the universal service, MinCom will establish a universal service fund, in which all operators, including a Universal Service Provider (USP), will contribute. Two other streams for the fund are the state budget and interconnection fees. MinCom will most likely designate Svyazinvest-controlled companies to become USPs, although it also mentions the option of selecting USPs through tenders.

Conclusion

Recent policy discussions relating to the establishment of Universal Service Providers to generate revenue streams to fund rural telecommunications build-out are expected to lead to a period of rapid expansion in that sector of the Russian economy. U.S. equipment manufacturers should be in a position to supply wireless local loop, VSAT and digital switching equipment.

Key Decision Makers

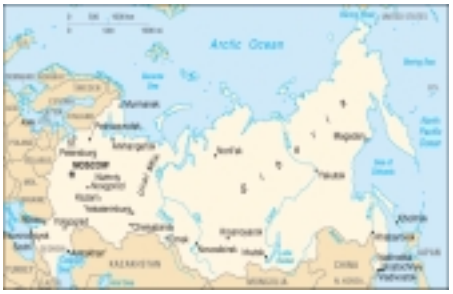
Organization or Company Name	Ministry of Communications and IT
Contact Person	Mr. Yuri Grin
Title	Director, International Cooperation Department
Address	7 Tverskaya Street Moscow, Russia
Telephone	7-095-925-5108
Fax	7-095-230-2097
E-mail	Not available

Organization or Company Name	Svyazinvest
Contact Person	Mr. Valeriy Yashin
Title	General Director
Address	55 Plyushchikha Street, Bldg. 2 Moscow, Russia 119121
Telephone	7-095-248-2474
Fax	7-095-248-3178
E-mail	Not available

RUSSIAN FEDERATION

Telemedicine Consulting and Diagnostic Network

Project Summary	
Subsector	Information Technology
Location	Moscow, Leningradskaya, Kurskaya and Voronezhskaya oblasts, Russia
Project Cost	US$6 Million
Export Potential	US$3 Million
Project Type	Telemedicine
Project Executing Agency	Tana Telemedical Systems Ltd.; Foundation for Globalization and Development of the Internet



Project Outline

This project proposal involves the establishment of an Internet-based telemedicine system to provide remote diagnostic health services to medical institutions and nuclear installations under the Ministry of Nuclear Power (Minatom) of the Russian Federation.

The project will improve the diagnosis and treatment capabilities of Minatom's medical institutions and accelerate the development of telemedicine technologies in Russia. Organizations that will benefit from services provided under this investment project include the Central Clinical Hospital No 6 (CCH) of the Minatom (Moscow), medical institutions associated with nuclear power stations in Leningradskaya, Kurskaya and Voronezhskaya oblasts, and mobile telemedical diagnostic centers.

It is intended that Minatom will buy out the telemedicine network from the project investors after the network has been launched under a Build-Operate-Transfer (BOT) arrangement. According to the project sponsors, Minatom has agreed to allocate future budgetary funds for this purpose.

The project sponsors are the non-profit Foundation for the Globalization and Development of the Internet (FGDI) and Tana Telemedical Systems Ltd. The Foundation is committed to the rapid development of commercially viable Internet-based projects. Tana is a Russian company that develops computerized medical equipment and related software that it sells to medical institutions. Their equipment includes automated work stations for physicians, low radiation digital fluorographs, digital angiographic surgical facilities, telemedical equipment, etc. Tana also provides telemedicine consulting services.

Specialists working in Russian space research founded Tana in 1993 with the aim of implementing advanced technologies into the daily activities of that country's medical institutions. Since 1994, TANA has pioneered the use of telemedicine technologies in Russia.

Technical Description

The telemedicine network envisaged under this project involves the administering of remote diagnostic examinations using advanced Internet-based technologies. The network's support subsystem will provide structure and organization to facilitate real time consulting and diagnostic examination of patients located in different cities and locales from the examining specialists. This telemedicine support network provided to Minatom's medical institutions will allow CCH specialists to remain in Moscow and to examine patients located hundreds of kilometers away in the department's hospitals in Leningradskaya, Kurskaya and Voronezhskaya oblasts, remote locations such as nuclear power stations, and in the event of emergencies. The telemedicine network will also allow the CCH to derive fees from the provision of consulting services together with the country's and foreign leading medical centers.

The proposed telemedicine service will:

- Provide the results of diagnostic examinations of patients located in hospitals of the aforementioned regions or in other remote areas in a form appropriate for telemedical consultations;
- Carry out telemedical consultations for the above-mentioned patients in the CCH;
- Obtain telemedical consultations in specialized medical institutions; and
- Provide telemedical consultations by the CCH specialists at the request of foreign medical institutions in accordance with the individual hospital profiles.

Primary project elements include:

- Carrying out negotiations with regional and federal authorities for obtaining organizational, material and technical support to create the department's telemedicine network and its central and on-site nodes;
- Preparing necessary documents and obtaining decisions at federal and regional levels;
- Establishing relations with interested Russian and foreign organizations and companies;
- Selecting staff, premises and technical equipment for the departmental network nodes;
- Training staff of telemedical nodes;
- Attracting foreign experts in the area of telemedical services development;
- Collecting information and carrying out consulting and diagnostic activities for patients from remote regions in the CCH of the Minatom; and
- Organizing technical support to provide telemedical consultations by the CCH specialists responding to requests by foreign medical institutions.

Tana actively participates in the formation of the Russian market of telemedicine services as an equipment and decisions supplier and provider of telemedicine consulting

(information) services. The Moscow-based Tana Group has created two subsidiary companies that deal with computerized medical systems and telemedical systems. Tana also develops new products under partnership agreements with other companies such as SpektrAP, Rastr. Ista-Video-Test, and OKB IKI (under the Russian Federation's Academy of Science). The Tana Group also established a subsidiary company in the USA – Telemedicine General, Inc.

Tana develops, implements and supports specialized medical information systems and software/hardware systems that provide registration, processing and transfer of medical pictures and accompanying information and which is received with the help of different diagnostic equipment. The software/hardware and other types of systems produced by Tana are divided into three categories:

- Computerized (automated) working places for physicians;
- Ward local information systems and hospital information systems; and
- Telemedicine facilities.

Tana software/hardware systems are installed and successfully operate in many Russian health-care institutions, both at regional and federal levels.

Tana equipment allows work to be switched from individual local installations to computerized networks of hospital diagnostic departments in hospital information systems. It provides full visual information (x-rays, tomograms, results of ultrasonic research, laboratory analyses, etc.) to doctors and hospital administration. The information is added by text data directly at the working place. Tana also develops and implements hospital information systems of different types. Tana's highly qualified staff also provides the development of technological decisions, adapts them to the requirements of the client and provides consulting and other services during the life of the systems.

The following organizations provide permanent support for Tana projects:

- The Administration of the President of the Russian Federation;
- Russian Federation Government;
- Moscow Government;
- Ministry of Foreign Affairs;
- Ministry of Defense;
- Ministry for Communication and Informatization;
- The Association of Economic Cooperation of Far East and Zabaikalsky Regions;
- The Committee for Science, Culture, Education and Public Health under the Federation Council of Russia; and
- The UNDP Representation Office in Russia.

In addition, Tana is building a telemedicine network in Russia working with small and medium enterprises and utilizing assistance from the Federal Fund of SME Support.

Project Site

The telemedical support system includes:

- A telemedical consulting center located in Central Clinical Hospital No 6 of the Minatom;
- Telemedical consulting stations located in medical and preventive care institutions of Leningradskaya, Kurskaya and Voronezhskaya oblasts; and
- Mobile telemedical diagnostic stations.

Project Status/Timeline

Considerable preparatory work has already been undertaken related to project implementation. Preliminary discussions were held and positive reaction received from senior officials at Minatom and most of the directors of nuclear power stations for the development of the departmental telemedical network.

The premises belonging to the project sponsor, Tana Telemedical Systems, are equipped with all necessary means of communication (telephones, faxes, Internet line, and a local network). Tana also has computers, printers, network equipment, copying machines necessary to start up the project. The project implementation will last for up to two years.

Equipment and Services

Following are the equipment, services and funds needed for project implementation:

- Equipment for regional telemedical stations of the network (40% of the project cost), including telemedical and communication equipment, furniture, computers and other office facilities;
- Initial funds to pay for the rental of premises and staff salaries in regional representation offices (20% of the project cost);
- Covering staff training expenses (up to 10% of the project cost);
- Funds to cover the development of special software for the project implementation, including development of the web site, data bases, information protection means, etc. (30% of the project cost);
- Initial funds to carry out PR activities, to cover business trips expenses and other miscellaneous expenses (10% of the project cost); and
- Payments to foreign experts (10% of the project cost).

According to Tana, the profitability of the proposed telemedicine network is linked to the number of telemedical consultations conducted. This profitability can be directly influenced by increasing the number of telemedicine workstations and/or by diversifying the consultations provided. The cost of establishing a telemedicine station in Russia ranges from $150,000 to $1 million.

U.S. Competitiveness

A specialized Russian organization that is highly regarded by federal and regional authorities and which can actively lobby the interests of the central and regional network nodes at all levels is needed to create a departmental telemedicine network. With the exception of the Foundation for the Globalization and Development of the Internet, no single Russian organization or company has the necessary influence on federal and regional authorities to solve the aforementioned tasks.

Tana Telemedical Systems has pioneered the development of telemedicine projects in Russia and abroad. According to the Foundation for Globalization and Development of the Internet, U.S. companies that have a strong capability in the provision of telemedicine services elsewhere would be hard pressed to compete with Tana Telemedical Systems in development of the departmental telemedical network for Minatom. They would be well suited, however, to act as joint venture partners in this proposed project.

Project Financing

The total project cost is estimated to be US$6 million. The proposed investment on the part of the Russian parties is US$1.5 million dollars, while additional required financing is US$4.5 million. According to the project sponsors, Minatom has agreed to provide the necessary budgetary resources to acquire the telemedicine network.

Conclusion

This project is being promoted by the non-profit Foundation for the Globalization and Development of the Internet and Tana Telemedical Systems Ltd. The Foundation has submitted several other potential projects to the Conference and seems sincere in its desire to work with technically capable U.S. technology firms.

Tana and TGDI are primarily interested in identifying prospective venture capital partners with which to implement this and other telemedicine projects. The two sponsors are also interested in learning about the availability of the most advanced U.S. medical and telemedical technologies.

The proposed project will allow the medical care level provided to Russian nuclear employees to be dramatically improved and enhance the efficiency of health care providers. At the same time, the project also provides a good commercial opportunity for U.S. firms to enter the Russian market for the provision of telemedicine services.

Key Decision Makers

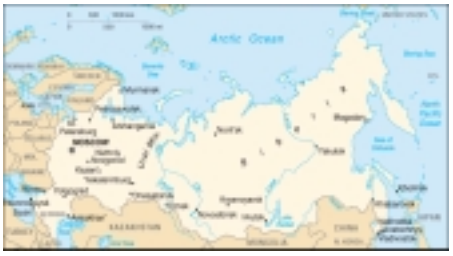
Organization or Company Name	Tana Telemedical Systems Ltd.
Contact Person	M.Y.Natenzon
Title	Director General
Address	Office 14, entrance 2, 15 Starovagan'kovsky pereulok, Moscow
Telephone	7 (095)202 1212, 202 0845 mobile (095)722 7515
Fax	7 (095)202 0845
E-mail	Mnatenzo@space.ru Tana-com@space.ru

Organization or Company Name	The Foundation for the Globalization and Development of the Internet
Contact Person	Anatoly A. Kharlamov
Title	Internet Projects Director
Address	Entrance 6, 5 Red Square, Moscow
Telephone	7 (095)784 7454; 728 7772; mobile. 8-901-723 8078
Fax	7 (095)784 7455; 728 7772
E-mail	Harlamov@rambler.ru ; Harlamov@rosinternet.ru

RUSSIAN FEDERATION

Workflow Management Software

Project Summary	
Subsector	Information Technology
Location	Moscow, Russia
Project Cost	US$1.2 Million
Export Potential	US$1.2 Million
Project Type	Software Development
Project Executing Agency	OPTIMA JSC



Project Outline

The Optima Software Development Center is a member of the Optima Group of Companies, which ranks among the top five system integrators in Russia. The company started in 1990 as a distributor of computer hardware, but after a decade had concentrated on system integration and software development. The company now employs 300 staff, of whom 170 are qualified specialists. Optima's partners include Hewlett Packard, Compaq, Cisco, General Electric, IBM, Microsoft, Oracle, Novell and Alcatel.

The proposed project involves the upgrading of the existing document management software OPTiMA WorkFlow, which is software intended to bring order into the handling of documents circulating in an organization. OPTiMA WorkFlow has special relevance to the government, utilities, finance, oil and gas, telecommunications, and manufacturing sectors. The new version of the software will provide a universal solution that will be adaptable to various existing platforms and operating systems thereby providing very high market penetration potential due to its flexibility, cost-effectiveness and user-friendliness. The software is popular in Russia and is being widely used in a number of organizations such as the Ministry of Justice, State Committee on Statistics, Federal Tax and the police.

The basic concept of automated clerical work, applied in the OPTiMA WorkFlow system, is that the management and planning are subjected to technological processes (flows of work) during which forms and documents are processed. Enterprises or organizations can consider automation as an effective means of fulfilment of basic industrial and administrative functions. The system transfers the document from an executor to another executor, as a "relay race", shifting it from one "virtual" working table to the other, keeping all versions of the document and registering all stages of movement of the document.

The system allows deviations from the work diagram to the document to be revealed and predicts further courses of events.

The basic advantages of the OPTiMA-WorkForce system are:

- The full-functionally routing and description of the scripts of document movement;
- The dynamic updating of the work form, including both contents of registration data and registration procedures;
- A high-grade mechanism for controlling various versions;
- The creation of reporting forms and "complete connection" of a developed breadboard model of system reporting;
- The ability to work in allocated corporate networks and to distribute volumes between servers; and
- The utilities/functions of a particular working place can be adjusted to respond to requirements and specifications of the official duties of the user in the system.

Technical Description

OPTIMA-WorkFlow is an integrated decision-making program based on Microsoft products such as Microsoft BackOffice, Microsoft Office 95/97 for Windows 95, Microsoft Office 2000 for Windows 2000, and Windows NT and encryption-system. The system provides for decision scaling (i.e. analytical assessment and forecasting that helps in decision making – GUI – graphical user interface) and is suitable for applications in allocated corporate computer networks, supporting open data standards and interaction protocols of various systems of computer processing of information. It supports all major operating systems and platforms.

Project Site

The proposed project is to be undertaken at the Optima Software Development Center, Moscow, Russia. The center comprises an area of 3,100 square meters and has the latest state-of-art development and training facilities. There are 78 certified software specialists available in the center where the entire infrastructure needed to work with global partners is located.

Project Status/Timeline

The project involves upgrading and optimizing the existing version of Optima WorkFlow. The estimated time frame is six months.

Equipment and Services

The project sponsors require the following services:

- Project management consultancy;

- Quality management consultancy; and
- An injection of venture capital.

The Optima Software Development Center has all the necessary equipment to undertake the development of this project.

U.S. Competitiveness

The following companies and related products are the recognized competitors for the existing Optima software product:

1. Staffware (Staffware plc.)
2. Doculine (Siemens Nixdorf Information Systems)
3. Lotus Workflow (Lotus)
4. Microsoft Tahoe (Microsoft)
5. Alladin SQL (Alladin Systems)
6. Work-route (West Technology)

According to the project sponsor, the aforementioned products are very expensive and each exhibits technical limitations. As a result, those products are said to have had limited success in international markets.

Project Financing

The estimated venture capital required to develop the new version of the OPTiMA WorkForce software is US$1.2 million.

Conclusion

Optima is seeking venture capital and technical inputs in the form of project and quality management from a U.S. partner in order to develop the new software version of OPTiMA WorkFlow. The new upgraded product will be marketed in both Russia and the United States.

Key Decision Makers

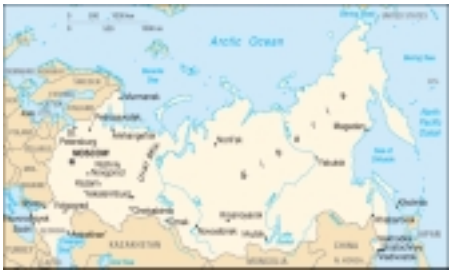
Organization or Company Name	OPTIMA JSC
Contact Person	Dr. Alexander Antonov
Title	Director, Software Development
Address	#3, Rubtsovskaya nab., Moscow- 107082, RUSSIA
Telephone	+7 095 363-3653
Fax	+7 095 363-3656
E-mail	AlexanderVA@office.optima.ru

Organization or Company Name	OPTIMA JSC
Contact Person	Joy Dasgupta
Title	Business Development Manager
Address	#3, Rubtsovskaya nab., Moscow- 107082, RUSSIA
Telephone	+7 095 363-3653
Fax	+7 095 363-3656
E-mail	JoyD@office.optima.ru

RUSSIAN FEDERATION

E-Procurement

Project Summary	
Subsector	Information Technology
Location	Moscow, Russia
Project Cost	US$1 Million
Export Potential	US$252,000 (pilot project) US$105 Million (roll-out potential)
Project Type	E-Procurement
Project Executing Agency	Cargo Transport, Inc.



Project Outline

This project involves the implementation of a pilot project. The pilot project is part of a larger systemic approach to the introduction of E-Procurement in the Russian Federation. The purpose of the pilot project is two-fold: 1) to demonstrate the feasibility and effectiveness of a transparent and accountable public procurement system to key Federal and Regional authorities; and 2) to ensure that the project will include U.S. manufactured equipment in the later roll-out of the system. The pilot project and potential follow-on projects will require IT equipment and technical support services.

The project sponsor is Cargo Transport Inc., an experienced trading and freight forwarding company located in Washington, D.C., and Dulles Airport. CTI specializes in the integration and coordination of major American export projects. CTI has already expended considerable time and resources to insure the appropriate level of political support in the Russian Federation. They have attracted the participation of top American corporations and e-solution providers. As a result, CTI is working with a proven solutions provider, Avaya Communication Inc. and a well-established e-solution provider and supplier of U.S. hardware, Actis, whose list of equipment suppliers includes that of Compaq, Hewlett Packard and IBM, to accomplish this project. CTI brings the experience of an international project management team along with freight forwarding and logistics management. In addition, CTI personnel includes Scott Blacklin who has recently returned from seven years experience in the Russian Federation and three years as the President of the American Chamber of Commerce in Russia.

It is recognized by President Putin's Administration that the mechanisms necessary for effective Federal management are still lacking in the Russian Federation. The fiscal and budgetary controls and procedures which define the dynamics of Federal/Local relationships are still being developed in the RF. At the same time, pressures on the RFG budget are such that many of these procedures are not being developed, or are being only partially implemented.

A key advantage of this project is that it is does not require any Federal Government support, but already has the political support of the President's Administration.

Technical Description

Background

Government procurement in the Russian Federation has traditionally been a process known by few and bid by even fewer. Statistics prove that approximately 60% of government procurements were not competitively bid, and transparency in the process has not improved substantially since the accession of President Vladimir Putin.

At present, competitive bidding is held by relevant departments of federal, regional and local governments, while respective notices are given in the Konkursnye Torghi (Competitive Bidding) newsletter. Unfortunately, not all potential suppliers receive this newsletter in the necessary time or manner needed to respond effectively.

With this project, the project sponsors intend to provide equipment and best practices developed in the U.S. to fit the unique environment of the Russian market.

Competitive bidding for those necessary goods will involve thousands of customers, dozens of potential suppliers and hundreds of brands of goods. In addition, competitive bidding may be held at the federal, regional and local levels. This bidding will be based on a horizontal and vertical pattern both on a centralized basis and in the regions, with respective goods to be shipped to assigned destinations (cities) of the Russian Federation under prescribed schedules and in assigned volumes.

Competitive bidding also provides for mandatory publication of the bidding subjects, documentation, other terms and bidding outcomes. The bidders should have proven qualifications, product quality certificates as well as correctly formatted applications for participation in a bidding, meeting relevant rules and time limits.

Specific Goals of the Pilot Project

- Establish an Internet portal for electronic publication of bidding conditions, subject and outcomes, with access to be provided for Bidders and many Internet users.
- Establish and introduce portal versions intended for remote interactive Bidder registration, electronic storage of credible data on Bidder qualifications, product quality certificates, bid preparation data and other bidding documentation, as well as changing and verification of the data available.
- Arrange for electronic formatting of application and additional data as well as delivery of it to the Bid Evaluation Board as secured and as scheduled.
- Arrange for electronic document exchange between bidding agents (customers, Bidders, suppliers and bid evaluation boards) while providing support of electronic signature, encoding of all documents and their electronic copies.

- Issue of information on competitive bidding as defined in approved forms and respective schedule and the provision of it to the supervising bodies of the government RF, also as classified.
- Monitor and create backups of post-bidding documents and information on customers and suppliers of goods and services.

This project complies with the Russian legislation, federal government resolutions and presidential decrees regarding public procurement.

Envisaged Results of the Pilot Project

According to the Russian Statistics Committee, tenders held in Russia in first quarter 2000 totaled 5,575 versus 61,957 other procurement methods used (i.e. non-competitive approach with a single customer). Federal executive bodies organized 2,811 tenders and 7,482 other procurements arrangements, with 1,294 and 19,517 for regional governments and 1,470 and 34,958 for local (municipal) authorities, respectively.

In 1st quarter 2000, 76,129 contracts were signed worth 43 billion rubles in total, including 14,141 through competitive bidding (32.64 billion rubles). Open 1st quarter tenders ended up in 11,660 contracts awarded worth 26.4 billion rubles. Bidders totaled 25,116, with 12,969 winners among them.

Competitive bidding for public procurement saved 4.5 billion rubles in 1st quarter 2000 while tender organization and implementation costs were 17.83 billion rubles.

The tender outcome evaluation showed that further improved tender efficiency is required through using up-to-date IT and Web-portal establishment (www.gostorgi.ru) while ensuring most broad access for suppliers to government contracts, reduced corruption, computerization and information protection of relevant decisions made during competitive bidding.

The Federal Task E-Commerce System Development Program for 2001-2006 being drafted envisions establishment of such a system worth US$25-30 million in public funds. This system, when implemented, will require approximately US$105 million in equipment and support services.

With the development of this project, government procurement in Russia will become much more transparent and will increase open competition. It will add cost efficiency to the procurement process through a wider choice of suppliers and products and allow the Russian Government to better track revenue flows and project implementation.

It is envisaged that once this pilot project has been successfully implemented, both additional federal and regional governments will pursue the same solution. The influence of this more competitive, efficient procurement approach would have long-lasting positive results throughout Russia and its regions.

Project Site

The pilot project will be located in Moscow, Russia.

Project Status/Timeline

The software component of the E-Procurement system has already been developed and has been demonstrated in mock-up form on a web-site to senior Russian Federal and Regional Government officials. The City of Moscow and the RF Southern Administrative District, comprising 13 oblasts, have already committed to implementing the system once it is proven through the pilot project.

The pilot project awaits the delivery of the American communications infrastructure hardware, servers, computers, and ancillary equipment. The system requirements have already been determined. As soon as installation is complete, which will take approximately one month after delivery, the refinement of the E-system performance will be tested and refined. This will be done with actual input from participating Russian Government organizations. During the same period, the business plan will be completed, allowing investors to monitor the progress and future potential of the program using actual data from the first subscribers.

The entire pilot process is expected to take six months. Within two years of the successful completion of the pilot project, the follow-on projects could cover all 89 oblasts and most Federal Ministries in Russia.

Equipment and Services

The total value of equipment and technical support services needed for the pilot project totals US$252,000. If the pilot project is successful, the equipment needs will be much larger for the broader implementation of an E-Procurement system and could total US$100 million in equipment and US$5 million in technical support services.

U.S. Competitiveness

If the pilot project is a success, those U.S. suppliers will be in a strong position to provide the equipment and services for the follow-on projects as well.

Project Financing

The Project Team, which includes CTI, the E-Solutions company Actis, and Avaya Communication, have already expended over US$200,000 in preparation of this project. The Russian team, Center for Electronic Commerce, has expended approximately US$300,000 since the inception of the project in late 1999.

It is foreseen that the E-Procurement system will begin generating revenues from subscriber and transaction fees, and would reach break-even within one year of operation. Before the end of the pilot project stage, the business plan will be in final form for review by investors. Financial requirements will include approximately US$2.5 million in start-up and working capital requirement, and also a line of credit to continue the purchase of American IT equipment as the system expands throughout the Russian Federation.

Conclusion

U.S. companies are in a good position to provide the IT equipment and hardware needs for the E-Procurement pilot project. If the pilot project is a success, those U.S. suppliers will be at an advantage in providing the equipment and services for the follow-on projects as well.

Key Decision Makers

Organization or Company Name	Cargo Transport, Inc.
Contact Person	Scott Blacklin
Title	Member of the Board & Project Manager
Address	1730 K Street, NW, Suite 1100 Washington, DC 20006
Telephone	(202) 352-2059
Fax	(202) 466-3535
E-mail	Smblacklin@aol.com

Organization or Company Name	Cargo Transport, Inc.
Contact Person	John Saylor
Title	Vice President for Government Relations and International Projects
Address	44190 Mercure Circle, Suite 195 Dulles, VA 20166
Telephone	(703) 661-6223
Fax	(703) 661-6012
E-mail	Jsaylor@cargotransportinc.com